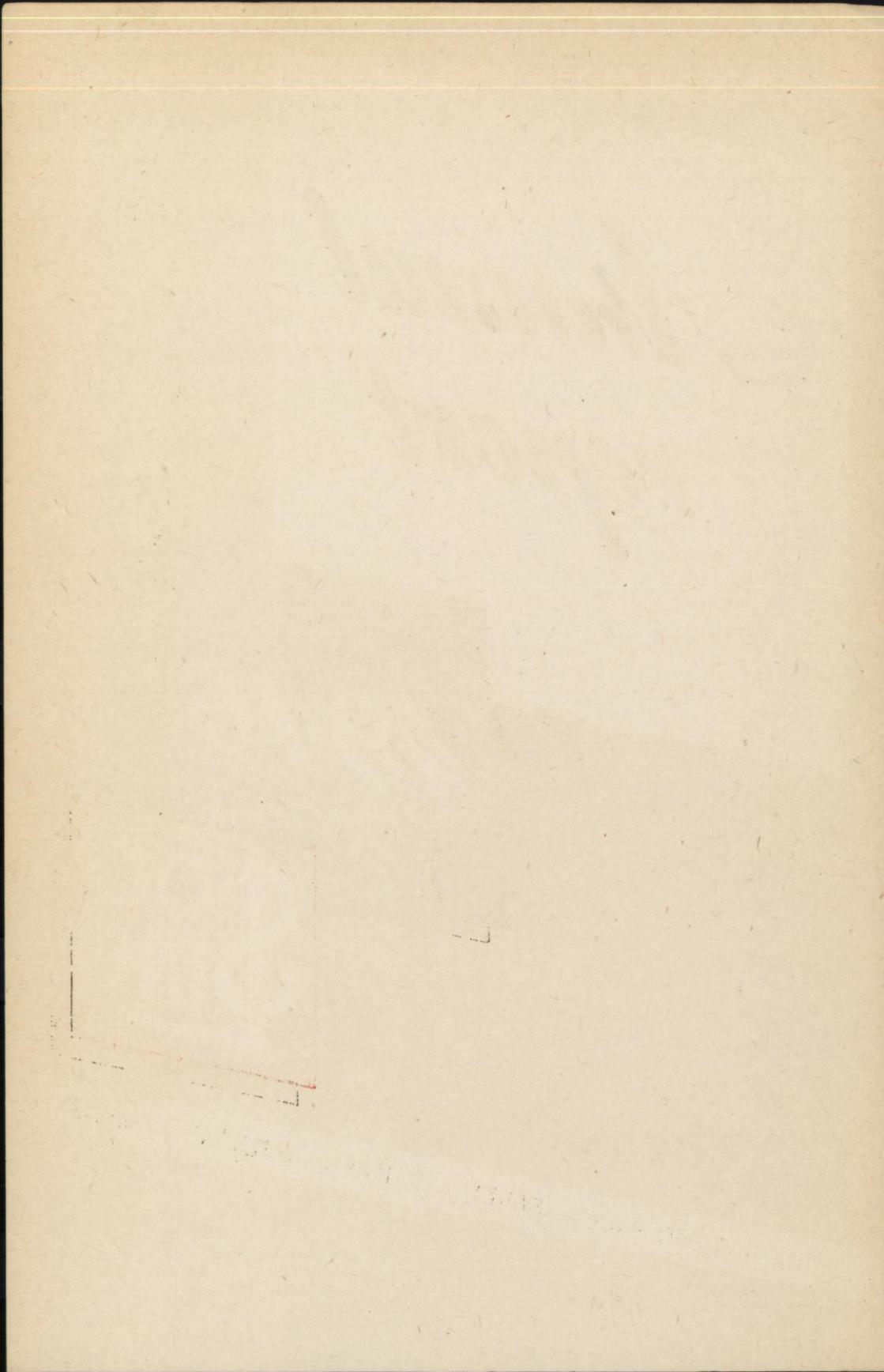


Annual report

1946



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MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILROAD COMPANY



Annual report
OF THE
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE
RAILROAD COMPANY

FOR THE YEAR ENDED

DECEMBER 31

1946



MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE
RAILROAD COMPANY

DIRECTORS

HENRY E. ATWOOD Minneapolis, Minn.
President, First National Bank of Minneapolis

JOHN E. BLUNT Chicago, Illinois
*Formerly Vice President, Continental Illinois National
Bank and Trust Company of Chicago*

*JOSEPH CHAPMAN Minneapolis, Minn.
Trustee, Farmers and Mechanics Savings Bank of Minneapolis

**D. C. COLEMAN, C. M. G., Montreal, Que.
Chairman & President, Canadian Pacific Railway Company

PAUL V. EAMES Minneapolis, Minn.
President, Shevelin, Carpenter & Clark Company

*HORACE C. GROUT Minneapolis, Minn.
President, M. St. P. & S. S. M. Railroad Company

FRANK T. HEFFELFINGER Minneapolis, Minn.
Chairman of the Board, F. H. Peavey & Company

*CLIVE T. JAFFRAY Minneapolis, Minn.
Chairman, First Bank Stock Corporation

HENRY S. KINGMAN Minneapolis, Minn.
President, Farmers and Mechanics Savings Bank of Minneapolis

HENRY LALIBERTE Duluth, Minn.
President, Cutler Magner Company

*HENRY S. MITCHELL Minneapolis, Minn.
Counsel, Canadian Pacific Railway Company

COLA G. PARKER Neenah, Wisconsin
President, Kimberly-Clark Corporation

JOHN S. PILLSBURY Minneapolis, Minn.
Chairman of the Board, Pillsbury Mills, Inc.

*HOMER B. VANDERBLUE Evanston, Illinois
*Professor of Business Economics & Dean, School of Commerce,
Northwestern University*

G. W. WEBSTER Minneapolis, Minn.
Formerly President, M. St. P. & S. S. M. Railway Company

*Member of Executive Committee

**Succeeded by W. M. Neal, C. B. E., Chairman and President C. P. Ry.,
February 1, 1947

GENERAL OFFICES
FIRST NATIONAL-SOO LINE BUILDING
MINNEAPOLIS, MINNESOTA

OFFICERS

President.....	H. C. GROUT.....	Minneapolis
Vice President and General Counsel.....	J. L. HETLAND	"
Vice President	C. S. POPE	"
Executive Assistant	R. E. DAVIES	"
Secretary.....	P. J. STOCK.....	"
Treasurer.....	C. H. BENDER	"
Assistant Secretary.....	M. J. TRACY.....	"
Assistant Treasurer.....	W. LEICESTER	"
General Traffic Manager.....	G. A. MACNAMARA	"
Comptroller.....	J. B. DONNELLY.....	"
General Manager.....	R. L. SIMPSON	"
Industrial and Real Estate Commissioner	R. S. Claar.....	"



RAIL
CROSSING
ROAD

2
TRACKS

**MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE
RAILROAD COMPANY**

TRANSFER AND FISCAL AGENTS

FIRST MORTGAGE BONDS

TRANSFER AGENTS:

The Northern Trust Company
50 S. La Salle Street, Chicago 90, Ill.

Bank of Montreal Trust Company
64 Wall Street, New York 5, N. Y.

FISCAL AGENTS:

The Northern Trust Company
50 S. La Salle Street, Chicago 90, Ill.

Agency, Bank of Montreal
64 Wall Street, New York 5, N. Y.

GENERAL MORTGAGE BONDS

TRANSFER AND FISCAL AGENTS:

Harris Trust and Savings Bank
115 W. Monroe Street, Chicago 90, Ill.

Central Hanover Bank and Trust Company
70 Broadway, New York 15, N. Y.

VOTING TRUST CERTIFICATES

TRANSFER AGENT AND DEPOSITORY:

Bank of New York
48 Wall Street, New York 15, N. Y.

REGISTRAR:

Central Hanover Bank and Trust Company
70 Broadway, New York 15, N. Y.

ANNUAL STOCKHOLDERS MEETING

Third Tuesday in May at Minneapolis, Minn.



"THE WINNIPEGER," Crack Soo Line train, runs twice daily between the Twin Cities and Winnipeg. Modernized equipment on this international run includes Pullman sleepers, easy chair coaches and the comfortable, convenient Cafe-Lounge car illustrated here.

TO THE STOCKHOLDERS:

The following report is submitted for the calendar year 1946:

Railway operations generally were seriously hampered during the year by restrictions imposed in consequence of national labor disputes, which interrupted the orderly flow of traffic and disturbed the economical methods of handling normally in effect. This company's operations in particular were severely restricted by an acute shortage of box cars which existed throughout the year, such cars available for loading during most of the year representing less than 70% of the company's ownership.

Income after fixed charges earned in 1946 was sufficient to meet all interest and sinking fund requirements of the company's mortgages and provision for payment has been made in accordance therewith.

A condensed income statement showing the results of operations for the year 1946, together with comparisons for the year 1945 follows:

	1946	1945
Railway Operating Revenues	\$28,266,905	\$28,469,789
Railway Operating Expenses	24,886,012	22,137,767
Net Revenue from Railway Operations	3,380,893	6,332,022
Net Equipment Rents, Joint Facility Rents and Taxes—Dr. ..	2,362,825	3,527,787
Net Railway Operating Income	1,018,068	2,804,235
Other Income less Miscellaneous Deductions	231,337	128,527
Income available for Fixed and Contingent Charges	1,249,405	2,932,762
Fixed Charges	4,747	6,502
Income after Fixed Charges	1,244,658	2,926,260
Interest on First Mortgage Bonds	355,533	359,634
Balance	889,125	2,566,626
Interest on General Mortgage Bonds	634,292	711,548
Sinking Fund — General Mortgage	100,645	100,645
Net Income	\$ 154,188	\$ 1,754,433

REVENUES

FREIGHT REVENUES amounted to \$24,543,962 in 1946 as compared to \$24,588,804 in 1945, a decrease of \$44,842 or .18%. A detailed statement of traffic handled classified by principal commodities will be found on page 24.

It is estimated that the 1946 grain crop produced in this company's territory amounted to 58,868,000 bushels as compared with a yield of 70,000,000 bushels in 1945, or a decrease of 15.8%. As of December 31, 1946 it is estimated that there remained in country elevators and on farms along the line approximately 29,435,000 bushels as compared with 32,791,000 bushels at December 31, 1945.

Due to mining and maritime labor disputes, there was an appreciable decline in iron ore shipments. The ore moved by this company from the Cuyuna Range to the Superior Ore Dock amounted to 839,296 long tons in 1946 as compared with 1,051,227 long tons moved in 1945, a decrease of 20.1%.

Substantial increases in the movement of pulpwood and other forest products, together with the company's participation in traffic received from connecting lines, were nearly sufficient to offset the decreased revenues from grain and ore traffic.

PASSENGER REVENUES amounted to \$1,745,284, a decrease of \$161,459, or 8.47% as compared with 1945. While passenger revenues declined during the early part of the year on account of the decrease in the movement of the armed forces, the trend turned upward with the restoration of the "Mountaineer" train to the Canadian Rockies and the Pacific Coast which attracted a considerable amount of summer tourist travel.

EXPENSES

RAILWAY OPERATING EXPENSES amounted to \$24,886,012 as compared with \$22,137,767 in 1945, an increase of \$2,748,245, which was chiefly due to wage awards amounting to \$2,532,546.

MAINTENANCE OF WAY EXPENSES which comprised only ordinary maintenance upkeep of the property, increased \$915,598 or 19.51%. Cost of snow removal amounted to \$291,236, an increase of 92.59% over the previous year, this being due to extremely severe weather conditions which prevailed during the early months of 1946.

MAINTENANCE OF EQUIPMENT EXPENSES decreased \$429,849, or 8.10%. This resulted from the Company's election to charge off in 1945 the entire balance under Amortization of Defense Projects, as well as adjustments made in 1945 under the amended Wisconsin Central Operating Agreement covering repairs to and depreciation of equipment.

TRAFFIC EXPENSES increased \$92,386, or 19.18%.

TRANSPORTATION EXPENSES increased \$1,979,386, or 18.30%. Variations in operating factors are shown below:

	1946	1945
Freight-train load — gross tons per train.....	1,706.7	1,715.3
Freight car load — net tons.....	31.1	33.3
Freight-train fuel consumption — pounds per 1,000 gross ton miles.....	113	110
Freight-train speed — miles per hour.....	16.7	17.1
Gross ton miles per freight-train hour.....	28,048	28,815
Passenger miles per train mile.....	50.0	59.5

Tons carried one mile decreased from 2,603,529,788 to 2,540,980,921, or 2.40%, as compared with an increase in freight train miles of 1.22%.

Passengers carried one mile decreased from 103,142,357 to 94,698,406, or 8.19%, as compared with an increase in passenger train miles of 9.28%.

RAILWAY TAX ACCRUALS for the year 1946 amounted to \$2,066,068 as compared with \$3,603,529 for the year 1945, a decrease of \$1,537,461, or 42.67%, comprised as follows:

	Year 1946	Year 1945	Amount	Increase or Decrease Per Cent
Railroad Retirement.....	\$ 522,612	\$ 416,420	\$ 106,192	25.50
Railroad Unemployment.....	447,950	376,440	71,510	19.00
Federal Income Tax.....	20,934	1,613,316	1,634,250	....
Federal Capital Stock.....	.....	20,000	20,000	....
State, Local and Other.....	1,116,440	1,217,353	100,913	8.29
	\$2,066,068	\$3,603,529	\$1,537,461	42.67

Of the Federal Income Taxes accrued during the year, \$95,000 is applicable to the operations of the Company for the year 1946. Credits for over accruals amounting to \$105,628 for the year 1945 and refund received in the amount of \$10,306 on account of adjustment for Amortization of Defense Projects for the year 1944 reduced the charges for the year to a net credit of \$20,934. The Federal Income Tax returns for the period from September 1, 1944 to December 31, 1944 and for the year 1945 have been filed but have not, as yet, been passed by the Bureau of Internal Revenue. Increased Retirement and Unemployment taxes are chiefly due to wage increases.

It is estimated that the Company's Railroad Retirement taxes will be increased approximately \$330,000 in 1947 as compared with 1946, by reason of the increase in rates provided under the Crosser Act effective January 1, 1947. The Retirement tax rate to be paid by the Company is increased from 3.5% to 5.75% for the years 1947-48, with further increases up to 6.25% in 1952. The Unemployment tax rate to be paid by the Company continues at 3%.

EQUIPMENT RENTS for the year 1946 amounted to a net debit of \$70,412, as compared with a net credit of \$433,608 for the previous year, a difference of \$504,020. There was a substantial decrease in the rental collected from foreign lines for use of the Company's freight and passenger cars which, together with greater use of private line equipment and adjustments made under the amended Wisconsin Central Operating Agreement in 1945 caused the difference.

JOINT FACILITY RENTS. Net charges for the year 1946 amounted to \$226,345 as compared with \$357,866 for the preceding year, a decrease of \$131,521, or 36.75%. This decrease was principally due to adjustments made under the amended Wisconsin Central Operating Agreement in 1945 accounts.

PROPERTY INVESTMENT

There was a net increase during the year in Investment in Road and Equipment charges of \$193,059 as follows:

	Road	Equipment	Total
Expenditures for Additions and Betterments	\$660,254	\$ 69,446	\$729,700
Less: Retirements	201,339	335,302	536,641
Net	\$458,915	\$265,856	\$193,059

The chief items were:

Bridge renewals and filling.....	\$82,221
Shop and engine terminal facilities	60,251
Miscellaneous tools and shop machinery.....	45,348
Miscellaneous roadway machines.....	12,509
Widening cuts and ditching.....	11,743
Company side and yard tracks.....	52,803
Additional trackage for industries.....	28,829
New 90 pound rail replacing 80 and 85 pound rail, 36.56 miles.....	68,796
Relaying of rail in main track with relay rail, 23.89 miles.....	25,609
Station and office buildings	91,049
Water stations	31,327
Tie plates and rail anchors.....	85,876
Application of "AB" brake equipment to 397 freight train cars	43,232

In order to effect substantial operating economies, an order has been placed for delivery in 1947 of eight combination road-switching Diesel-electric 1500 horsepower locomotives for use on branch line territory which will permit retirement from service of twelve steam locomotives of obsolete type.

REDUCTION IN DEBT

Long term debt was reduced by \$1,739,800 during the year. First Mortgage Bonds in the amount of \$74,000 were purchased by the company and are being held in the treasury. General Mortgage Bonds in the amount of \$1,509,000 were purchased by the company during the year, and together with \$491,000 previously purchased were cancelled. General Mortgage Bonds in the amount of \$156,800 were cancelled by the Mortgage Trustee through the operation of the sinking fund.

Interest accruals were reduced \$81,357 as compared to last year.

DIVIDEND

On February 19, 1947, the Board of Directors declared a dividend of \$1.00 per share on the stock of this Company, payable April 1, 1947 to holders of

record as of the close of business on March 15, 1947, amounting to \$719,104. In declaring this dividend the Board took into consideration the surplus accumulated since September 1, 1944.

WAGE INCREASES

During the year 1945 requests for wage increases and changes in certain rules were received from five operating and fifteen non-operating labor organizations. The organizations, representing non-operating employees, agreed to defer consideration of proposals for changes in rules and to convert various requests for wage increases into a single uniform proposal for an increase of 30 cents per hour. Similar action was taken by three of the operating brotherhoods, except that the wage increase request amounted to \$2.50 per day. The eighteen groups agreed to arbitrate their requests for wage increases and on April 3, 1946 the two separate boards of arbitration handed down awards of 16 cents per hour in the case of non-operating groups and \$1.28 per basic day for the three operating groups, both awards effective January 1, 1946. The Brotherhood of Locomotive Engineers and the Brotherhood of Railroad Trainmen declined to accept arbitration as offered by the Mediation Board and a strike was called for March 11, 1946, whereupon the President of the United States issued an Executive Order creating an Emergency Board under Section 10 of the Railway Labor Act. On April 18, 1946 this Emergency Board, in its report to the President, recommended a wage increase of 16 cents per hour, effective January 1, 1946, with certain rule changes. The two organizations refused to accept these recommendations and called a strike for May 18, 1946. On May 17, 1946 the United States Government assumed control of the railroads and the strike was postponed until May 23, 1946, on which date the strike became effective. After several days of negotiations the brotherhoods accepted President Truman's compromise proposal of 16 cents per hour effective January 1, 1946 with a further increase of 2½ cents per hour effective May 22, 1946 and a withdrawal of all rules change demands for one year, which awards also applied to the fifteen non-operating and three operating organizations which had previously arbitrated their demands. The strike was terminated on May 25, 1946 and the railroads were duly returned to the owners on May 26, 1946. As a result of these awards, together with similar increases granted to official and supervisory employees and others not included in the awards, it is estimated that the operating expenses of the Company were increased by approximately \$2,532,546 during the year 1946.

FREIGHT AND PASSENGER RATES

Due to increased costs of operation resulting from wage increases and rise in costs of material, fuel and other supplies, the railroads on April 15, 1946, petitioned the Interstate Commerce Commission for a 25% increase in freight

rates, with certain exceptions as to which lesser increases were sought. On June 20, 1946, the Commission issued its report authorizing temporary increases which were in general 6% upon all commodities except certain basic commodities, including products of agriculture, livestock and products, and low grade products of mines. As to the latter, the increase approved was 3%. Coal and iron ore were accorded separate treatment. The rates on iron ore were increased 3¢ per long ton in this territory. The increase on coal amounted to 6¢ per net ton on rates of \$1.00 or less and 8¢ per net ton on rates of more than \$1.00 per ton. All of these temporary increases became effective July 1, 1946, on interstate traffic, and on subsequent dates, with some modifications, on state traffic. It is estimated that these temporary rate adjustments on both interstate and state traffic increased the freight revenue of the Company by approximately \$500,000 from their respective effective dates to the close of the year, or at a rate substantially less than 6 per cent.

On December 5, 1946, after nearly eight months of hearings and deliberation the Interstate Commerce Commission issued a permanent order, effective January 1, 1947, authorizing increases which amounted to an overall average of approximately 17.6%. No increase was allowed in the rates on iron ore moving from the mines for shipment by boat from the upper Great Lakes ports, and the rates on this commodity have reverted to the pre-July 1, 1946 basis in effect prior to the establishment of the temporary increases. These permanent increases superseded the temporary increases and were not in addition thereto. It is estimated that the permanent increases as applied to this Company's traffic will be somewhat less than the overall average.

The railroads sought the same permanent increases on intrastate traffic as were authorized by the Interstate Commerce Commission on interstate traffic. After appropriate state proceedings, such increases were authorized with certain relatively unimportant exceptions.

A temporary injunction was secured against orders of the Interstate Commerce Commission relating to the ultimate application of a uniform level of class rates east of the Rocky Mountains and a uniform classification, as noted in the Report for the year 1945. The hearings on a permanent injunction held before the District Court of the United States for the Northern District of New York resulted in a unanimous opinion upholding the order of the Interstate Commerce Commission. An appeal was taken to the United States Supreme Court before which arguments were presented on February 10, 1947. Pending decision of the Supreme Court, the present suspension of the order still remains in effect.

The Interstate Commerce Commission's decision in Ex Parte 162 made permanent, effective January 1, 1947, the temporary 10% increase in passenger rates granted by the Commission in 1942 in the Ex Parte 148 proceeding.

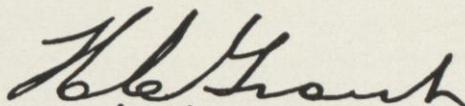
WISCONSIN CENTRAL RAILWAY

This Company continues to operate the Wisconsin Central properties as Agent for the Trustees with the approval of the Court and pursuant to the Operating Agreement, as amended, and the revised Schedule of Bases made effective July 1, 1943. A plan of reorganization has been proposed by an Examiner of the Interstate Commerce Commission, after hearings, and is now pending before that body.

DIRECTORATE

Mr. D. C. Coleman, a Director of this Company and the predecessor Company since 1943, resigned effective February 1, 1947. Mr. W. M. Neal, who succeeded Mr. Coleman as Chairman and President of the Canadian Pacific Railway, was elected to fill the vacancy.

FOR THE BOARD OF DIRECTORS,



President.

Minneapolis, Minnesota,
April 15, 1947.



"THE MOUNTAINEER" — Daily service to and through the picturesque Canadian Rocky Mountains. The Mountaineer features air-conditioned sleeping cars and the popular "Soo Line Special" breakfast.

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COMPARATIVE GENERAL

ASSET SIDE

	Dec. 31, 1946	Dec. 31, 1945	Increase or Decrease
INVESTMENTS:			
Road and Equipment Property:			
Road.....	\$103,031,562	\$102,572,647	\$ 458,915
Equipment.....	25,920,651	26,186,507	265,866
Total.....	<u>128,952,213</u>	<u>128,759,154</u>	<u>193,059</u>
Less:			
Acquisition adjustment.....	16,510,829	16,510,829	.....
Donations and grants.....	7,887	5,857	2,030
Accrued depreciation—road.....	9,192,429	8,756,680	435,749
Accrued depreciation equipment.....	17,459,181	17,001,140	458,041
Accrued amortization of Defense Projects— equipment.....	3,213,245	3,216,212	2,967
Total.....	<u>46,383,571</u>	<u>45,490,718</u>	<u>892,853</u>
Net.....	<u>82,568,642</u>	<u>83,268,436</u>	<u>699,794</u>
Sinking fund—General Mortgage.....	5	1,330	1,325
Deposits with The Northern Trust Co.....	76,097	19,702	56,395
Capital fund—Cash.....		119,159	119,159
Miscellaneous physical property.....	170,194	182,376	12,182
Investments in affiliated companies: (See page 21)			
Stocks—Pledged under First Mortgage.....	260,375	272,375	12,000
Stocks—Pledged under Gen'l Mortgage.....	900,000	900,000	.....
Advances—Pledged under Gen'l Mortgage.....		11,800	11,800
Advances—all other.....	389,031	662,243	273,212
Other Investments: (See page 21)			
U. S. Government Bonds (long term).....	4,000,000	4,000,000	.....
Miscellaneous.....	7,538	6,206	1,332
Total Investments.....	<u>88,371,882</u>	<u>89,443,627</u>	<u>1,071,745</u>
CURRENT ASSETS:			
Cash.....	4,763,675	7,882,473	3,118,798
U. S. Government securities (short term).....	8,425,000	8,120,000	305,000
Held for land grant deductions.....	700,000	730,000	30,000
Special Deposits: For interest and other obligations.....	96,653	119,710	23,057
Employees' Income Tax and War Bonds.....	189,225	169,356	19,869
For distribution to holders of First Con- solidated Bonds of Predecessor Company	40,271	58,349	18,078
Other special deposits.....	293	293	.....
Agents and conductors' balances.....	585,811	437,637	148,174
Miscellaneous accounts receivable.....	743,670	887,849	144,179
Material and supplies.....	3,459,778	3,453,320	6,458
Interest and dividends receivable.....	81,586	40,931	40,655
Accrued accounts receivable.....	397,106	577,448	180,342
Other current assets.....	35,727	35,534	193
Total.....	<u>19,518,795</u>	<u>22,512,900</u>	<u>2,994,105</u>
DEFERRED ASSETS:			
Working fund advances.....	20,929	20,735	194
Other deferred assets.....	568,227	411,186	157,041
Total.....	<u>589,156</u>	<u>431,921</u>	<u>157,235</u>
UNADJUSTED DEBITS:			
Prepayments.....	29,506	33,807	4,301
Discount on funded debt.....	72,359	79,199	6,840
Other unadjusted debits.....	377,450	401,244	23,794
Total.....	<u>479,315</u>	<u>514,250</u>	<u>34,935</u>
GRAND TOTAL.....	<u>\$108,959,148</u>	<u>\$112,902,698</u>	<u>\$3,943,550</u>

BALANCE SHEET

LIABILITY SIDE

	Dec. 31, 1946	Dec. 31, 1945	Increase or Decrease
CAPITAL STOCK:			
719,104 shares no par value stated at \$86.50 per share—represented by Voting Trust Certificates—Series A	\$ 62,202,496	\$ 62,202,496	\$
LONG-TERM DEBT:			
First Mortgage, 4½%, Cumulative Income Bonds, Series A, 1-1-71.....	7,860,630	7,934,630	74,000
Issued.....	\$10,000,000		
Held in Treasury.....	2,139,370		
Gen'l Mortgage, 4%, Income Bonds, Series A, 1-1-91.....	16,128,900	17,794,700	1,665,800
Issued.....	\$20,129,000		
Retired through Sinking Fund.....	1,072,100		
Held in Treasury.....	928,000		
Retired by Company.....	2,000,000		
Total.....	23,989,530	25,729,330	1,739,800
CURRENT LIABILITIES:			
Traffic and car-service balances	14,866	156,144	141,278
Audited accounts payable.....	930,075	913,411	16,664
Wages payable.....	1,949,010	1,843,385	105,625
Miscellaneous accounts payable.....	765,556	758,661	6,895
Interest matured unpaid.....	1,095,464	1,188,559	93,095
Accrued accounts payable.....	768,048	508,133	259,915
Taxes accrued.....	1,018,822	2,609,996	1,591,174
Trustees, Wisconsin Central Railway Co.....	326,056	326,994	938
Other current liabilities.....	372,309	342,350	29,959
Total.....	7,240,206	8,647,633	1,407,427
DEFERRED LIABILITIES			
	576,890	496,178	80,712
UNADJUSTED CREDITS:			
Reserve for land grant deductions	700,000	715,000	15,000
Other unadjusted credits.....	158,602	177,651	19,049
Total.....	858,602	892,651	34,049
SURPLUS:			
Unearned surplus.....	95	.....	95
Earned surplus—Appropriated (see page 23).....	1,103,870	\$ 1,003,225	100,645
Earned surplus—Unappropriated (see page 23).....	12,987,459	13,931,185	943,726
Total.....	14,091,424	14,934,410	842,986
GRAND TOTAL.....	\$108,959.148	\$112,902,698	\$3,943,550

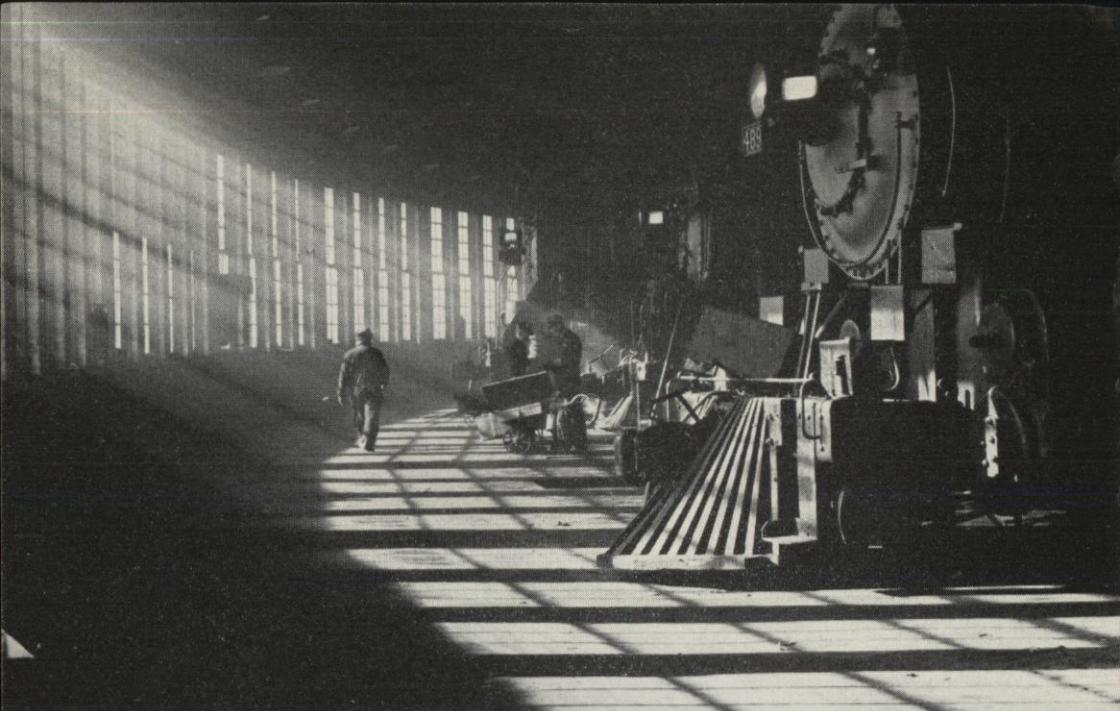
NOTE: In accordance with Minnesota Law, Earned Surplus at September 1, 1944 in the amount of \$11,364,138 is designated as "Paid-in Surplus."

This Company is jointly and severally liable, with seven other owner railroads, for the principal and interest on \$14,257,000 of First and Refunding Mortgage 3½% Bonds Series "B" of The Saint Paul Union Depot Company. Interest has been paid by The Saint Paul Union Depot Company on these Bonds as it matured.





SOO LINE SHOREHAM SHOPS
MINNEAPOLIS, MINN.



INSIDE THE ROUNHOUSE and Blacksmith Shop at Soo Line's Shoreham Shops, located in Minneapolis.

INVESTMENTS IN AFFILIATED COMPANIES

	Number of Shares	Par Value	Book Value Dec. 31, 1946	Book Value Dec. 31, 1945
STOCKS—Pledged under First Mortgage:				
Western Express Co. (See Note).....	\$.....	\$.....	\$ 12,000	
Sainte Marie Union Depot Co.....	375	37,500	37,500	37,500
Sault Ste. Marie Bridge Co.....	2,500	250,000	500	500
Minnesota Transfer Railway Co.....	913	91,300	91,300	91,300
The Saint Paul Union Depot Co.....	1,036	103,600	130,475	130,475
Railway Express Agency, Inc.....	6	No Par	600	600
TOTAL		482,400	260,375	272,375
STOCKS—Pledged under General Mortgage:				
Tri-State Land Co. (See Note).....	25,000	\$ 2,500,000	900,000	900,000
ADVANCES—Pledged under General Mortgage:				
The Railroad Credit Corporation.....			.....	11,800
ADVANCES—All Other:				
Sainte Marie Union Depot Co.....			26,790	26,790
Minnesota Transfer Ry.—Sinking Fund.....			23,333	21,111
Minnesota Transfer Ry.—Diesels.....			25,137	20,698
Railway Express Agency, Inc.....			155,078	145,465
Sault Ste. Marie Bridge Co.—U. S. Funds.....			9,732	4,655
Sault Ste. Marie Bridge Co.—Canadian Funds.....			4,383	4,383
Tri-State Land Co.....			133,630	433,630
The St. Paul Union Depot Co.....			10,948	5,511
TOTAL			\$ 389,031	\$ 662,243

OTHER INVESTMENTS

BONDS:				
United States Treasury Bonds—Long Term		\$ 4,000,000	\$4,000,000	\$4,000,000
STOCKS:				
Wisconsin Central Ry. Co. Common.....	103,595	10,359,500	1	1
OTHER SECURED OBLIGATIONS:				
Clarkson Coal Mining Co. Note.....				606
Real Estate Sales Contracts.....		7,535	7,535	5,597
TOTAL		7,535	7,535	6,203
ADVANCES:				
Wisconsin Central Ry. Co. (prior to Receivership)....		\$ 7,050,048	1	1
Central Terminal Ry. Co.....			1	1
TOTAL		\$ 2	\$ 2	

NOTE: The Western Express Company, a solely owned subsidiary, was dissolved in November 1946. The 500 shares of stock with a par value of \$50,000 although written down on the books of the Company to \$12,000 representing the estimated value as determined by appraisal as of September 1, 1944 were cancelled and the dissolution dividend in the amount of \$18,234.59 duly deposited with the trustee of the First Mortgage.

The equity of the Company in the net worth (capital stock and surplus) of the Tri-State Land Company, a solely owned subsidiary, has been written down on the Soo Line books to the estimated value as determined by appraisal as of September 1, 1944. The amount of this equity is \$900,000 as shown under the column headed "Book Value." The net worth of that company as reflected on its books at December 31, 1946 is \$1,462,975, without provision for impairment of asset values, and the net result for the year 1946 was a net income of \$43,555.

INCOME ACCOUNT

	Year 1946	Year 1945	Increase or Decrease
RAILWAY OPERATING REVENUES:			
Freight Revenue.....	\$ 24,543,962	\$ 24,588,804	\$ 44,842
Passenger Revenue.....	1,745,284	1,906,743	161,459
All Other Revenue.....	1,977,659	1,974,242	3,417
Total Railway Operating Revenues.....	<u>28,266,905</u>	<u>28,469,789</u>	<u>202,884</u>
RAILWAY OPERATING EXPENSES:			
Maintenance of Way and Structures.....	5,608,830	4,693,232	915,598
Maintenance of Equipment.....	4,874,999	5,304,848	429,849
Traffic.....	574,007	481,621	92,386
Transportation.....	12,795,336	10,815,950	1,979,386
Miscellaneous.....	171,450	117,820	53,630
General.....	861,390	724,296	137,094
Total Railway Operating Expenses.....	<u>24,886,012</u>	<u>22,137,767</u>	<u>2,748,245</u>
Net Revenue from Railway Operations.....	3,380,893	6,332,022	2,951,129
Railway Tax Accruals.....	2,066,068	3,603,529	1,537,461
Railway Operating Income.....	1,314,825	2,728,493	1,413,668
Equipment Rents—Net.....	70,412	433,608	504,020
Joint Facility Rents—Net Dr.....	226,345	357,866	131,521
Net Railway Operating Income.....	1,018,068	2,804,235	1,786,167
Other Income.....	268,267	155,765	112,502
Total Income.....	1,286,335	2,960,000	1,673,665
Miscellaneous Deductions from Income.....	36,930	27,238	9,692
Income Available for Fixed and Contingent Charges.....	<u>1,249,405</u>	<u>2,932,762</u>	<u>1,683,357</u>
FIXED CHARGES:			
Rent for Leased Road and Equipment.....	1,718	2,218	500
Interest on Unfunded Debt.....	698	901	203
Amortization of Discount on Funded Debt.....	2,331	3,333	1,052
Total Fixed Charges.....	4,747	6,502	1,755
Income after Fixed Charges.....	<u>1,244,658</u>	<u>2,926,260</u>	<u>1,681,602</u>
CONTINGENT CHARGES:			
Interest on First Mortgage Bonds.....	355,533	359,634	4,101
Interest on General Mortgage Bonds.....	634,292	711,548	77,256
Sinking Fund—General Mortgage.....	100,645	100,645	.....
Total Contingent Charges.....	1,090,470	1,171,827	81,357
Net Income.....	<u>\$ 154,188</u>	<u>\$ 1,754,433</u>	<u>\$ 1,600,245</u>

EARNED SURPLUS ACCOUNT

As of December 31, 1946

EARNED SURPLUS—APPROPRIATED:

Applicable to period prior to September 1, 1944:

Appropriated for Capital Fund	\$ 500,000
Appropriated for Sinking Fund	<u>369,032</u>

Applicable to period subsequent to September 1, 1944:

Appropriated for Sinking Fund:	
Amount at December 31, 1945	134,193
Accrual—Year 1946	<u>100,645</u>
Amount at December 31, 1946	234,838
Total Earned Surplus—Appropriated	<u>\$ 1,103,870</u>

EARNED SURPLUS—UNAPPROPRIATED:

Applicable to period prior to September 1, 1944:

Amount at December 31, 1946	\$10,495,106
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Applicable to period subsequent to September 1, 1944:

Amount at December 31, 1945	\$3,436,079
Less Dividend of \$2.50 per share, payable April 15, 1946, declared from the earnings for the period from September 1, 1944 to December 31, 1945	<u>1,797,760</u>
	<u>\$1,638,319</u>

Profit and Loss Account—Year 1946:

Net Income	\$154,188
Credits from Bonds retired	743,846
Miscellaneous Credits	<u>34,013</u>
Total Credits	932,047
Deduct:	
Miscellaneous Debits	<u>78,013</u>
Net Additions to Surplus for Year 1946	<u>854,034</u>
Amount at December 31, 1946	<u>2,492,353</u>
Total Earned Surplus—Unappropriated	<u>\$12,987,459</u>

THE SOO LINE DOLLAR

	1946	1945
	(cents)	
Income:		
Grain	23.4	30.8
Other Products of Agriculture	5.5	4.5
Animals and Products	2.6	2.7
Products of Mines	14.4	13.6
Products of Forests	8.9	6.7
Manufactures and Miscellaneous	19.8	15.6
Less than Carload	4.1	3.5
Passenger-train Service	9.9	10.3
Incidental	2.0	1.9
Rents from Equipment and Joint Facilities	8.5	9.9
Other Income .....	.9	.5
Total	<u>100.0</u>	<u>100.0</u>
Spent for:		
Wages	50.3	40.0
Taxes for Employees Retirement and Unemployment Funds	3.1	2.5
All other taxes	3.5	8.8
Fuel, rail, ties and other track materials	11.9	10.5
Depreciation and Amortization	3.9	6.5
Other Operating Expenses	13.8	12.6
Interest and Sinking Fund	3.5	3.7
Rents for Equipment and Joint Facilities	9.4	9.7
Miscellaneous .....	.1	.1
Total	<u>99.5</u>	<u>94.4</u>
Remainder available for other corporate purposes	<u>.5</u>	<u>5.6</u>

OPERATING REVENUES

	Year 1946	Year 1945	Increase or Decrease Amount	Decrease Per Cent
FREIGHT REVENUE:				
Products of Agriculture:				
Grain.....	\$ 7,303,928	\$ 9,801,050	\$ 2,497,122	25.48
Flour.....	131,555	170,975	39,420	23.06
Potatoes.....	296,385	215,698	80,687	37.41
All Other.....	1,274,248	1,044,671	229,577	21.98
Total.....	9,006,116	11,232,394	2,226,278	19.82
Animals and Products:				
Cattle and Calves.....	311,284	301,933	9,351	3.10
Hogs.....	37,210	55,132	17,922	32.51
Butter.....	64,621	92,558	27,937	30.18
All Other.....	402,354	409,438	7,084	1.73
Total.....	815,469	859,061	43,592	5.07
Products of Mines:				
Bituminous Coal.....	1,184,894	1,155,724	29,170	2.52
Lignite Coal.....	543,581	558,397	14,816	2.65
Iron Ore.....	1,012,134	1,332,371	320,237	24.04
Petroleum Crude.....	1,070,662	713,640	357,022	50.03
All Other.....	672,300	567,793	104,507	18.41
Total.....	4,483,571	4,327,925	155,646	3.60
Products of Forests:				
Posts, Poles and Piling.....	255,167	150,872	104,295	69.13
Pulpwood.....	1,067,222	810,803	256,419	31.63
Lumber, Shingles and Lath.....	1,073,625	888,845	184,780	20.79
All Other.....	377,559	275,064	102,495	37.26
Total.....	2,773,573	2,125,584	647,989	30.49
Manufactures and Miscellaneous:				
Petroleum Oils, refined, etc.....	1,377,970	842,958	535,012	63.47
Fuel and Road Oils, etc.....	295,143	193,579	101,564	52.47
Iron and Steel (5th Class).....	205,632	246,903	41,271	16.72
Cement, building.....	255,728	139,712	116,016	83.04
Agricultural Implements and Parts.....	165,391	161,272	4,119	2.55
Tractors and Parts.....	254,680	229,579	25,101	10.93
Fertilizers.....	190,487	213,034	22,547	10.58
Newsprint Paper.....	571,418	473,538	97,880	20.67
All Other.....	2,856,588	2,427,486	429,102	17.68
Total.....	6,173,037	4,928,061	1,244,976	25.26
Less-than-carload Freight				
Total Freight Revenue.....	1,292,196	1,115,779	176,417	15.81
Passenger				
Passenger.....	1,745,284	1,906,743	161,459	8.47
Mail.....	653,354	603,882	49,472	8.19
Express.....	373,373	428,528	55,155	12.87
Milk.....	233,089	202,653	30,436	15.02
Other Passenger-train Service.....	88,181	119,606	31,425	26.27
Switching.....	71,552	58,534	13,018	22.24
Demurrage.....	75,349	56,004	19,345	34.54
Telegraph and Telephone.....	55,629	51,481	4,148	8.06
Ore Dockage Charges.....	104,931	121,642	16,711	13.74
Joint Facility—Net.....	150,399	171,607	21,208	12.36
All Other.....	171,802	160,305	11,497	7.17
Total Operating Revenue.....	\$28,266,905	\$28,469,789	\$ 202,884	.71

OPERATING EXPENSES

	Year 1946	Year 1945	Increase or Decrease Amount	Per Cent
MAINTENANCE OF WAY AND STRUCTURES:				
Superintendence	\$ 232,589	\$ 198,559	\$ 34,030	17.14
Roadway Maintenance	664,813	565,566	99,247	17.55
Tunnels and Subways	172	140	32	22.86
Bridges, Trestles and Culverts	115,244	111,195	4,049	3.64
Ties	726,452	628,790	97,662	15.53
Rails	138,191	124,024	14,167	11.42
Other Track Material	162,620	147,769	14,851	10.05
Ballast	92,075	72,570	19,505	26.88
Track Laying and Surfacing	1,704,097	1,422,498	281,599	19.80
Fences, Snowsheds, and Signs	80,524	69,363	11,161	16.09
Station and Office Buildings	156,137	138,563	17,574	12.68
Roadway Buildings	2,593	1,853	740	39.94
Water Stations	51,420	47,376	4,044	8.54
Fuel Stations	21,483	18,544	2,939	15.85
Shops and Enginehouses	90,031	73,331	16,700	22.77
Wharves and Docks	27	27	.....	.....
Telegraph and Telephone Lines	97,730	80,221	17,509	21.83
Signals and Interlockers	28,430	28,921	491	1.70
Power Plants	1,402	3,149	1,747	55.48
Power Transmission Systems	1,622	350	1,272	363.43
Road Property—Depreciation	472,191	454,568	17,623	3.88
Retirements—Road	8,453	49,940	41,487	83.07
Roadway Machines	81,358	65,520	15,838	24.17
Dismantling Retired Road Property	9,396	11,136	1,740	15.63
Small Tools and Supplies	53,189	47,440	5,749	12.12
Removing Snow, Ice and Sand	291,236	151,217	140,019	92.59
Public Improvements—Maintenance	40,386	35,526	4,860	13.68
Injuries to Persons	102,942	16,212	86,730	534.97
Insurance	9,921	9,311	610	6.55
Stationery and Printing	4,229	4,010	219	5.46
Other Expenses	3,085	6,191	3,106	50.17
Maintaining Jt. Trks., Yds. and Other Fac.—Dr.	175,069	121,814	53,255	43.72
Maintaining Jt. Trks., Yds. and Other Fac.—Cr.	13,183	15,108	1,925	12.74
Right-of-Way Expenses	2,906	2,673	233	8.72
Total	\$ 5,608,830	\$ 4,693,232	\$ 915,598	19.51
Ratio of M of W & S Expenses to Revenues	19.84	16.49	3.35	.....

	Year 1946	Year 1945	Increase or Decrease Amount	Per Cent
MAINTENANCE OF EQUIPMENT:				
Superintendence	\$ 106,112	\$ 98,280	\$ 7,832	7.97
Shop Machinery	74,497	63,235	11,262	17.81
Power Plant Machinery	17,782	19,683	1,901	9.66
Shop and Power Plant Mach.—Depreciation	14,946	10,200	4,746	46.53
Dismantling Retired Shop & P. P. Machinery	345	163	182	111.66
Steam Locomotives—Repairs	1,647,285	1,445,718	201,567	13.94
Other Locomotives—Repairs	16,572	7,798	8,774	112.52
Freight Train Cars—Repairs	1,738,523	1,598,735	139,788	8.74
Passenger Train Cars—Repairs	386,601	305,983	80,618	26.35
Work Equipment—Repairs	78,958	72,345	6,613	9.14
Miscellaneous Equipment—Repairs	8,208	9,207	999	10.85
Dismantling Retired Equipment	1,384	868	516	59.45
Retirements—Equipment	2,778	.....	2,778	.....
Equipment—Depreciation	718,269	805,809	87,540	10.86
Equip.—Amortization of Def. Projects:				
Amortization in excess of Normal Depreciation	.....	707,019	707,019	100.00
Amortization Equivalent to Normal Depreciation	.....	99,695	99,695	100.00
Injuries to Persons	19,096	13,815	5,281	38.23
Insurance	8,910	8,878	32	.36
Stationery and Printing	2,936	3,247	311	9.58
Other Expenses	1,598	11,847	10,249	86.51
Joint Maint. of Equip. Expenses—Dr.	37,550	24,808	12,742	51.36
Joint Maint. of Equip. Expenses—Cr.	1,795	2,485	690	27.77
Total	\$ 4,874,999	\$ 5,304,848	\$ 429,849	8.10
Ratio of M. of Equip. Expenses to Revenues	17.25	18.63	1.38	.....

OPERATING EXPENSES

Continued

	Year 1946	Year 1945	Increase or Decrease Amount	Per Cent
TRAFFIC EXPENSES:				
Superintendence	\$ 205,102	\$ 171,446	\$ 33,656	19.63
Outside Agencies	282,334	235,148	47,186	20.07
Advertising	31,939	32,087	148	.46
Traffic Associations	15,736	11,064	4,672	42.23
Industrial and Immigration Bureaus	4,660	4,757	97	2.04
Insurance	78	82	4	4.88
Stationery and Printing	34,158	27,037	7,121	26.34
Total	\$ 574,007	\$ 481,621	\$ 92,386	19.18
Ratio of Traffic Expenses to Revenues	2.03	1.69	.34	.....

TRANSPORTATION EXPENSES:

Superintendence	\$ 284,414	\$ 249,599	\$ 34,815	13.95
Dispatching Trains	149,344	121,883	27,461	22.53
Station Employees	1,940,013	1,516,918	423,095	27.89
Weighing Insp. and Dem. Bureaus	21,376	19,483	1,893	9.72
Station Supplies and Expenses	113,057	96,245	16,812	17.47
Yard Masters and Yard Clerks	244,653	201,762	42,891	21.26
Yard Conductors and Brakemen	586,045	511,490	74,555	14.58
Yard Switch and Signal Tenders	25,363	21,002	4,361	20.76
Yard Enginemen	321,726	296,823	24,903	8.39
Yard Motormen	73,114	43,640	29,474	67.54
Yard Switching Fuel	226,135	233,384	7,249	3.11
Water for Yard Locomotives	10,896	10,917	21	.19
Lubricants for Yard Locomotives	7,402	5,620	1,782	31.71
Other Supplies for Yard Locomotives	4,110	2,925	1,185	40.51
Enginehouse Expenses—Yard	142,759	111,779	30,980	27.72
Yard Supplies and Expenses	7,687	7,544	143	1.90
Opr. Joint Yard and Terminals—Dr.	573,513	448,606	124,907	27.84
Opr. Joint Yards and Terminals—Cr.	28,255	36,096	7,841	21.72
Train Enginemen	1,490,705	1,206,012	284,693	23.61
Train Motormen	95		95	
Train Fuel	2,440,515	2,218,204	222,311	10.02
Water for Train Locomotives	94,334	84,230	10,104	12.09
Lubricants for Train Locomotives	53,167	42,112	11,055	26.25
Other Supplies for Train Locomotives	29,448	21,676	7,772	35.86
Enginehouse Expenses—Train	339,682	249,806	89,876	35.98
Trainmen	2,063,743	1,623,817	439,926	27.09
Train Supplies and Expenses	782,532	762,171	20,361	2.67
Operating Sleeping Cars	52,655	45,679	6,976	15.27
Signal and Interlocker Operation	78,705	63,049	15,656	24.83
Crossing Protection	43,038	33,285	9,753	29.30
Telegraph and Telephone Operation	54,582	43,792	10,790	24.64
Stationery and Printing	41,535	34,575	6,960	20.13
Other Expenses	77,285	77,197	88	.11
Operating Jt. Trks. and Facilities—Dr.	107,155	93,735	13,420	14.32
Operating Jt. Trks. and Facilities—Cr.	20,283	18,622	1,661	8.92
Insurance	4,306	4,592	286	6.23
Clearing Wrecks	45,312	49,962	4,650	9.31
Damage to Property	7,737	17,456	9,719	55.68
Damage to Live Stock on R. of W.	14,706	17,258	2,552	14.79
Loss and Damage—Freight	128,825	131,127	2,302	1.76
Loss and Damage—Baggage	340	233	107	45.92
Injuries to Persons	161,865	151,080	10,785	7.14
Total	\$12,795,336	\$10,815,950	\$ 1,979,386	18.30
Ratio of Transportation Expense to Revenues	45.27	37.99	7.28	.....

MISCELLANEOUS OPERATIONS:

Dining and Buffet Service	\$ 171,450	\$ 117,820	\$ 53,630	45.52
Ratio of Misc. Operations to Revenues	.60	.41	.19	.....

OPERATING EXPENSES

Concluded

	Year 1946	Year 1945	Increase or Decrease Amount	Per Cent
GENERAL EXPENSES:				
Sal. & Exp. of General Officers.....	\$ 111,585	\$ 97,620	\$ 13,965	14.31
Sal. & Exp. of Clerks and Attendants.....	544,852	437,192	107,660	24.63
General Office Supplies and Expenses.....	37,333	29,276	8,057	27.52
Law Expenses.....	71,281	70,582	699	.99
Insurance.....	400	489	89	18.20
Pensions.....	12,355	13,702	1,347	9.83
Stationery and Printing.....	24,897	22,715	2,182	9.61
Valuation Expenses.....	1,163	650	513	78.92
Other Expenses.....	52,399	46,479	5,920	12.74
General Joint Facilities—Dr.....	7,113	8,253	1,140	13.81
General Joint Facilities—Cr.....	1,988	2,662	674	25.32
Total.....	\$ 861,390	\$ 724,296	\$ 137,094	18.93
Ratio of General Expenses to Revenues.....	3.05	2.55	.50	.....
Railway Operating Expenses.....	\$24,886,012	\$22,137,767	\$ 2,748,245	12.41
Ratio of Operating Expenses to Revenues.....	88.04	77.76	10.28	.....

GRAIN MOVEMENT

Annual movement of grain in bushels, beginning with 1924, separated between that originated on line and that received from connections in the grain territory, and other movements consisting chiefly of transfers of grain between Minneapolis and the Head-of-the-Lakes.

	(ooo omitted from bushels)						
	Originated on Line		Received				
	Jan. 1	Aug. 1	from	Other	Movements	Total	
	July 31	Dec. 31	Connections	Total	Movements	Total	
1924.....	12,299	46,441	58,740	2,173	60,913	5,736	66,649
1925.....	17,673	37,944	55,617	2,182	57,799	5,136	62,935
1926.....	14,935	18,272	33,207	1,930	35,137	5,939	41,076
1927.....	10,410	36,716	47,126	1,698	48,824	6,072	54,896
1928.....	16,145	38,275	54,420	1,774	56,194	8,950	65,144
1929.....	16,625	20,725	37,350	1,297	38,647	7,168	45,815
1930.....	11,087	26,625	37,712	1,407	39,119	4,689	43,808
1931.....	13,652	7,801	21,453	730	22,183	3,185	25,368
1932.....	3,705	13,207	16,912	747	17,659	2,720	20,379
1933.....	10,558	10,021	20,579	645	21,224	3,409	24,633
1934.....	6,394	4,954	11,348	1,996	13,344	5,534	18,878
1935.....	3,105	14,046	17,151	927	18,078	4,201	22,279
1936.....	6,379	3,517	9,896	1,112	11,008	3,871	14,879
1937.....	2,147	12,427	14,574	587	15,161	3,706	18,867
1938.....	4,859	15,058	19,917	916	20,833	4,719	25,552
1939.....	7,941	17,625	25,566	1,594	27,160	3,104	30,264
1940.....	10,886	18,766	29,652	7,831	37,483	2,447	39,930
1941.....	13,549	26,165	39,714	3,433	43,147	5,127	48,274
1942.....	16,941	29,854	46,795	1,642	48,437	4,073	52,510
1943.....	26,953	38,110	65,063	14,228	79,291	10,136	89,427
1944.....	34,453	34,399	68,852	34,578	103,430	6,743	110,173
1945.....	30,437	45,748	76,185	3,692	79,877	8,832	88,709
1946.....	26,769	32,417	59,186	1,477	60,663	6,883	67,546

STATISTICS

	Year 1946	Year 1945	Increase or Decrease Amount or Number	Per Cent
Average Miles of Road Operated.....	3,224.21	3,224.03	.18	.01

TRAIN MILES (Revenue Service)

Freight Service.....	3,432,256	3,391,046	41,210	1.22
Passenger Service.....	1,893,091	1,732,398	160,693	9.28
Total Train Miles.....	5,325,347	5,123,444	201,903	3.94

LOCOMOTIVE MILES (Revenue Service)

Freight Service.....	3,478,855	3,441,932	36,923	1.07
Passenger Service.....	1,924,656	1,751,410	173,246	9.89
Switching Service—Road and Yard.....	1,028,868	913,220	115,648	12.66
Total Locomotive Miles.....	6,432,379	6,106,562	325,817	5.34

CAR MILES (Revenue Service)

Freight:				
Loaded.....	81,806,221	78,151,468	3,654,753	4.68
Empty.....	46,587,466	46,723,358	135,892	.29
Caboose.....	2,738,889	2,687,504	51,385	1.91
Total.....	131,132,576	127,562,330	3,570,246	2.80
Passenger:				
Coaches.....	3,255,967	3,162,451	93,516	2.96
Sleeping and Parlor.....	2,743,457	1,997,712	745,745	37.33
Other.....	6,442,770	5,939,034	503,736	8.48
Total.....	12,442,194	11,099,197	1,342,997	12.10
Total Car Miles.....	143,574,770	138,661,527	4,913,243	3.54

GROSS TON MILES

Freight Service—Cars and Contents.....	5,857,872,650	5,816,770,418	41,102,232	.71
Passenger Service—Cars only.....	742,174,181	649,921,057	92,253,124	14.19
Total Ton Miles.....	6,600,046,831	6,466,691,475	133,355,356	2.06

FREIGHT TRAFFIC

Freight Revenue.....	\$ 24,543,962	\$ 24,588,804	\$ 44,842	.18
Tons—Revenue Freight.....	10,577,904	10,751,748	173,844	1.62
Ton miles—Revenue Freight.....	2,540,980,921	2,603,529,788	62,548,867	2.40

Averages Per Mile of Road

Freight Revenue.....	\$ 7,612	\$ 7,627	\$ 15	.20
Train miles.....	1,065	1,052	13	1.24
Total freight train car miles.....	40,671	39,566	1,105	2.79
Ton miles—Revenue freight.....	788,094	807,539	19,445	2.41

Averages Per Train Mile

Freight revenue.....	\$ 7.15	\$ 7.25	\$.10	1.38
Average number of freight cars—loaded.....	23.8	23.0	.8	3.48
Average number of freight cars—empty.....	13.6	13.8	.2	1.45
Average number of freight cars—total.....	38.2	37.6	.6	1.60
Average number of tons of revenue freight.....	740.3	767.8	27.5	3.58
Gross ton miles.....	1,706.7	1,715.3	8.6	.50

Averages Per Loaded Car Mile

Freight revenue (cents).....	30.0	31.5	1.5	4.76
Average number of tons of revenue freight.....	31.1	33.3	2.2	6.61

Miscellaneous Averages

Revenue per ton of freight.....	\$ 2.32	\$ 2.29	\$.03	1.31
Revenue per ton mile of freight (cents).....	0.97	0.94	.03	3.19
Miles hauled—Revenue freight.....	240.2	242.1	1.9	.78

STATISTICS—Concluded

	Year 1946	Year 1945	Increase or Decrease Amount or Number	Per Cent
Classification of Revenue Tonnage Carried				
Grain.....	1,719,174	2,290,260	571,086	24.94
Products of Agriculture—all other.....	550,796	502,563	48,233	9.60
Animals and products.....	145,509	160,196	14,687	9.17
Products of Mines.....	3,772,232	4,254,081	481,849	11.33
Products of Forests.....	2,080,119	1,580,883	499,236	31.58
Manufactures and Miscellaneous.....	2,163,930	1,842,599	321,331	17.44
Total Carload Freight.....	10,431,760	10,630,582	198,822	1.87
Less carload freight.....	146,144	121,166	24,978	20.61
Total Carload and LCL Freight.....	10,577,904	10,751,748	173,844	1.62
PASSENGER TRAFFIC				
Passenger revenue.....	\$ 1,745,284	\$ 1,906,743	\$ 161,459	8.47
Passenger service train revenue.....	\$ 3,093,280	\$ 3,261,412	\$ 168,132	5.16
Revenue passengers carried.....	528,133	595,118	66,985	11.26
Revenue passenger miles.....	94,698,406	103,142,357	8,443,951	8.19
Averages Per Mile of Road				
Passenger revenue.....	\$ 541	\$ 591	\$ 50	8.46
Passenger service train revenue.....	\$ 959	\$ 1,012	\$ 53	5.24
Train miles.....	587	537	50	9.31
Total passenger train car miles.....	3,859	3,443	416	12.08
Revenue passenger miles.....	29,371	31,992	2,621	8.19
Averages Per Train Mile				
Passenger revenue.....	\$.92	\$ 1.10	\$.18	16.36
Passenger service train revenue.....	\$ 1.63	\$ 1.88	\$.25	13.30
Average number of passenger cars.....	6.6	6.4	.2	3.13
Average number of passengers.....	50.0	59.5	9.5	15.97
Averages Per Car Mile—Passenger				
Passenger revenue (cents).....	29.1	37.0	7.9	21.35
Average number of passengers.....	15.8	20.0	4.2	21.00
Miscellaneous Averages				
Revenue per passenger.....	\$ 3.30	\$ 3.20	\$.10	3.13
Revenue per passenger mile (cents).....	1.84	1.85	.01	.54
Miles carried—revenue passengers.....	179.3	173.3	6.0	3.46
TOTAL TRAFFIC				
Operating revenue.....	\$28,266,905	\$28,469,789	\$ 202,884	.71
Operating expenses.....	\$24,886,012	\$22,137,767	\$ 2,748,245	12.41
Net operating revenue.....	\$ 3,380,893	\$ 6,332,022	\$ 2,951,129	46.61
Averages Per Mile of Road				
Train miles.....	1,652	1,589	63	3.96
Car miles.....	44,530	43,009	1,521	3.54
Operating revenues.....	\$ 8,767	\$ 8,830	\$ 63	.71
Operating expenses.....	\$ 7,718	\$ 6,866	\$ 852	12.41
Net operating revenue.....	\$ 1,049	\$ 1,964	\$ 915	46.59
Averages Per Train Mile				
Operating revenues.....	\$ 5.30	\$ 5.56	\$.26	4.68
Operating expenses.....	\$ 4.67	\$ 4.32	\$.35	8.10
Net Operating revenues.....	\$.63	\$ 1.24	\$.61	49.19

COMPARISON OF PERCENTS OF REVENUE TONNAGE CARRIED WITH REVENUES EARNED

	TONS—%		REVENUES—%	
	1946	1945	1946	1945
Grain.....	16.25	21.30	29.76	39.86
Products of Agriculture—all other.....	5.21	4.67	6.94	5.82
Animals and products.....	1.38	1.49	3.32	3.49
Products of Mines.....	35.66	39.57	18.27	17.60
Products of Forests.....	19.66	14.70	11.30	8.64
Manufactures and miscellaneous.....	20.46	17.14	25.15	20.05
Total Carload Freight.....	98.62	98.87	94.74	95.46
Less Carload Freight.....	1.38	1.13	5.26	4.54
Total Carload and LCL Freight.....	100.00	100.00	100.00	100.00

COMPARATIVE STATEMENT OF REVENUES AND EXPENSES

REVENUES

Year Ended December 31

	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937
Freight	\$24,543,962	\$24,588,804	\$26,075,774	\$22,935,576	\$20,177,264	\$17,663,263	\$15,208,573	\$13,254,476	\$11,667,245	\$12,739,865
Passenger	1,745,284	1,906,743	1,949,462	1,761,256	1,031,452	657,090	652,228	808,078	790,780	912,554
Mail	653,354	603,882	619,970	615,126	617,895	625,416	619,170	634,088	636,153	645,055
Express	373,373	428,528	382,061	327,016	222,973	137,930	124,181	117,252	116,429	135,605
Miscellaneous	543,220	552,400	496,973	452,363	367,527	358,572	286,598	281,926	284,967	294,845
Incidental	407,712	389,432	362,146	352,821	300,911	289,640	246,829	249,270	197,144	273,503
Total	28,266,905	28,469,789	29,886,386	26,444,158	22,718,022	19,731,911	17,137,579	15,345,090	13,692,718	15,001,430

EXPENSES

Maintenance of Way and Structures	5,608,830	4,693,232	4,848,273	4,579,550	3,700,300	3,481,240	2,935,535	2,625,302	2,214,324	2,315,037
Maintenance of Equipment	4,874,999	5,304,848	4,819,516	4,379,242	3,999,802	3,470,755	2,682,768	2,667,320	2,689,510	2,837,622
Traffic Expenses	574,007	481,621	408,660	478,570	456,788	428,825	418,095	414,144	400,094	415,684
Transportation Expenses	12,705,336	10,815,950	10,580,518	9,380,110	8,179,482	7,432,759	6,709,801	6,449,749	6,239,979	6,529,779
Miscellaneous Operations	171,450	117,820	113,882	115,710	79,584	75,636	65,087	79,820	70,461	70,291
General Expenses	861,390	724,296	726,391	714,925	660,940	642,309	574,418	577,133	569,702	661,334
Transportation for Investment—Cr. . . . .	.....	.....	.....	.....	.....	.....	31,493	26,268	13,857	19,814
Total	\$24,886,012	\$22,137,767	\$21,497,840	\$19,928,107	\$17,076,896	\$15,500,031	\$13,359,436	\$12,799,611	\$12,144,256	\$12,790,832

Percentage of Expenses to Earnings	88.0	77.8	71.9	74.2	75.2	78.5	77.9	83.4	88.7	85.3
Net Revenue from Ry. Operations	\$ 3,380,893	\$ 6,332,022	\$ 8,388,546	\$ 6,816,051	\$ 5,641,126	\$ 4,231,880	\$ 3,778,143	\$ 2,545,479	\$ 1,548,462	\$ 2,210,598
Railway Tax Accruals	2,066,068	3,603,529	2,840,791	1,815,912	1,569,512	1,464,717	1,273,346	1,230,813	1,231,308	867,244
Railway Operating Income	1,314,825	2,728,493	5,547,755	5,000,139	4,071,614	2,767,163	2,504,797	1,314,666	317,154	1,343,354
Hire of Equipment—Net	70,412	433,608	302,237	336,085	99,064	160,290	310,213	307,198	310,054	348,601
Joint Facility Rents—Net Dr.	226,345	357,866	139,823	195,132	186,244	283,304	158,306	164,495	161,996	226,193
Net Railway Operating Income	1,018,068	2,804,235	5,710,169	5,141,092	3,984,434	2,313,569	2,036,278	842,973	154,896	768,560
Non-Operating Income—Net	231,337	128,527	139,529	105,426	13,246	130,608	131,677	149,998	173,300	149,031
Income Before Fixed and Contingent Charges	1,249,405	2,932,762	5,849,698	5,246,518	3,971,188	2,444,177	2,167,955	992,971	18,404	917,591
Fixed Charges	4,747	6,502	4,405,359	6,587,071	6,604,733	6,606,813	6,596,754	6,625,336	6,636,714	6,652,688
Contingent Charges	1,090,470	1,171,827	406,031	.....	.....	.....	.....	.....	.....	.....
Net Income or Deficit	\$ 154,188	\$ 1,754,433	\$ 1,038,308	\$ 1,340,553	\$ 2,633,595	\$ 4,162,636	\$ 4,428,799	\$ 5,632,385	\$ 6,638,310	\$ 5,735,097

Date of Reorganization September 1, 1944

EQUIPMENT OWNED

	Jan. 1st 1946	Addi- tions	Dedu- ctions	Dec. 31st 1946
STEAM LOCOMOTIVES				
Steam Locomotives—All Classes.....	169	0	3	166
OTHER LOCOMOTIVES				
Diesel.....	5	0	0	5
FREIGHT-TRAIN CARS				
Automobile cars.....	647	0	26	621
Ballast cars.....	253	0	17	236
Box cars.....	5,740	0	152	5,588
Caboose cars.....	133	0	3	130
Flat cars.....	376	0	3	373
Gondola cars.....	705	0	0	705
Ore cars.....	1,112	0	1	1,111
Refrigerator cars.....	6	0	6	0
Stock cars.....	395	0	0	395
Tank cars.....	*4	0	0	*4
Total Freight-Train Cars.....	9,371	0	208	9,163
PASSENGER-TRAIN CARS				
Baggage cars.....	29	0	0	29
Baggage and smoking cars.....	1	0	0	1
Coach-Caboose.....	1	0	0	1
Dining cars.....	4	0	0	4
Mail and Express cars.....	28	0	0	28
Mail, Express and Coach.....	6	0	0	6
Passenger coaches.....	33	0	0	33
Coach-Cafe-Lounge.....	2	0	0	2
Passenger and baggage cars.....	6	0	0	6
Sleeping cars.....	5	0	0	5
Tourist cars.....	6	0	0	6
Sleeping-Restaurant and Lounge.....	2	0	0	2
Drovers cars.....	5	0	0	5
Total Passenger-Train Cars.....	133	0	0	133
WORK EQUIPMENT				
Business cars.....	4	0	0	4
Derrick cars.....	2	0	0	2
Wrecking cars (steam).....	5	0	0	5
Other Company service equipment.....	207	12	8	211
Total Work Equipment.....	218	12	8	222
MISCELLANEOUS EQUIPMENT				
Automobiles.....	**20	1	2	**19
Lime spreader.....	1	0	0	1
Spraying outfit.....	1	0	0	1
Total Miscellaneous Equipment.....	22	1	2	21

*Tanks owned by Gedney Pickle Co. mounted on four flat cars owned by this company.

**Includes 2 automobiles owned jointly with N. P. Ry. Co.

ADDITIONS AND BETTERMENTS TO ROAD

Year Ended December 31, 1946

	Additions	Deductions	Net
Engineering.....	\$ 7,886	\$ 2,168	\$ 5,718
Land for Transportation Purposes.....	5,430	99,233	93,803
Other Right-of-Way Expenditures.....	530	700	170
Grading.....	45,272	1,416	43,856
Bridges, Trestles and Culverts.....	58,769	26,124	32,645
Ties.....	27,413	2,832	24,581
Rails.....	63,528	1,685	61,843
Other Track Material.....	137,457	8,677	128,780
Ballast.....	3,100	12	3,112
Track Laying and Surfacing.....	43,611	1,848	41,763
Fences, Snowsheds and Signs.....	4,736	805	3,931
Station and Office Buildings.....	78,992	25,655	53,337
Roadway Buildings.....	1,144	.....	1,144
Water Stations.....	29,507	8,995	20,512
Fuel Stations.....	373	145	228
Shops and Enginehouses.....	59,460	4,748	54,712
Telegraph and Telephone Lines.....	1,971	197	1,774
Signals and Interlockers.....	22,224	372	21,852
Power Plants.....	10	.....	10
Power Transmission Systems.....	1,340	.....	1,340
Miscellaneous Structures.....	.....	98	98
Roadway Machines.....	12,541	1,968	10,573
Roadway Small Tools.....	75	.....	75
Public Improvements—Construction.....	10,576	2,741	7,835
Shop Machinery.....	43,631	3,142	40,489
Power Plant Machinery.....	678	2,306	1,628
General Officers and Clerks.....	.....	405	405
Law.....	.....	247	247
Stationery and Printing.....	.....	30	30
Taxes.....	.....	138	138
Interest during Construction.....	.....	4,587	4,587
Other Expenditures—General.....	.....	89	89
Total.....	\$660,254	\$201,339	\$458,915

ADDITIONS AND BETTERMENTS TO EQUIPMENT

Year Ended December 31, 1946

ADDITIONS:

Steam Locomotives:

Mechanical lubricators on 4 units.....	\$ 4,852
Feed water heater to 1 unit.....	3,544
Miscellaneous minor improvements.....	3,865

Other Locomotives:

Miscellaneous minor improvements.....	840
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Freight-Train Cars:

Reinforce underframes of 60 ore cars.....	4,886
AB brake equipment to 397 cars.....	43,232
Miscellaneous minor improvements.....	1,102
Miscellaneous accounting adjustments.....	2,090

Passenger-Train Cars:

Miscellaneous minor improvements.....	726
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Work Equipment:

12 units, 11 converted from Revenue Service.....	5,094
Miscellaneous minor improvements.....	2,879
Miscellaneous accounting adjustments.....	94

Miscellaneous Equipment:

1 Automobile (jointly owned with N. P. Ry. Co.)	610
Total.....	<u>\$ 69,446</u>

DEDUCTIONS:

Steam Locomotives:

3 units retired.....	\$ 56,023
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Freight-Train Cars:

26 Automobile cars retired.....	37,813
17 Ballast cars retired.....	19,365
152 Box cars retired (1 converted into work service).....	195,828
3 Caboose cars retired.....	6,087
3 Flat cars retired.....	3,502
1 Ore car retired.....	1,091
6 Refrigerator cars retired (6 converted into work service).....	10,080

Work Equipment:

8 units of other company service equipment retired.....	3,764
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Miscellaneous Equipment:

2 Automobiles retired (1 jointly owned with N. P. Ry. Co.)	1,749
Total.....	335,302
Net Deductions.....	<u>\$265,856</u>

MILES OF ROAD OPERATED, DECEMBER 31, 1946

SOLELY OWNED

Minnesota Division

		Miles
Portal, N. D.	to Minneapolis, Minn., W. Switch, Humboldt Yard	543.85
Whitetail, Mont.	to Flaxton, N. D.	136.62
Sanish, N. D.	to Prairie Junction, N. D.	32.80
Plaza, N. D.	to Max, N. D.	35.36
Max, N. D.	to Drake, N. D.	48.17
Max, N. D.	to Hankinson, N. D.	304.31
Pollock, S. D.	to Wishek, N. D.	70.75
Grenville, S. D.	to Fairmount, N. D.	83.61
Total Minnesota Division		1,255.47

Winnipeg Division

Noyes, Minn.	to Glenwood, Minn.	265.05
Kenmare, N. D.	to Dakota Junction, Minn.	296.44
Armourdale, N. D.	to Egeland, N. D.	21.88
Drake, N. D.	to Fordville, N. D.	130.43
Total Winnipeg Division		713.80

Minneapolis-Duluth Division

Minneapolis, Minn., 5th Avenue North	to W. Switch, Humboldt Yard	4.71
Minneapolis, Minn., Camden Place	to Weyerhauser, Wis.	112.86
Minneapolis, Minn., Columbia Heights	to Hilo Junction	1.11
St. Paul, Minn.	to Cardigan Junction, Minn.	8.15
Dresser Jct., Wis.	to Superior, Wis., 28th Street	103.30
Superior, Wis., 12th Street Junction to Interstate Bridge		1.89
Duluth, Minn., Interstate Bridge	to 10th Ave., Freight House	1.39
Summit, Wis.	to St. Croix Falls, Wis.	2.04
Ridgeland, Wis.	to Barron, Wis.	18.52
Rice Lake, Wis.	to Cameron, Wis.	6.68
Superior, Wis.	to Conn. with N. P. Ry.	.68
Plummer, Minn.	to Moose Lake, Minn.	192.29
Lawler, Minn.	to East Lake, Minn.	6.51
Ironton, Minn.	to Crosby, Minn.	1.00
Boylston Jct., Wis.	to Brooten, Minn.	175.89
McGregor, Minn.	to Conn. with N. P. Ry.	.06
Total Minneapolis-Duluth Division		637.08

Gladstone Division

Weyerhauser, Wis.	to Sault Ste. Marie, Mich.	378.72
Wisconsin Jct., Wis.	to Winnebago Junction, Wis.	118.80
Appleton, Wis., North Wye	to End of track	1.07
Rapid River, Mich.	to Eben Junction, Mich.	30.54
Total Gladstone Division		529.13
Total Solely Owned		3,135.48

JOINTLY OWNED

Sault Ste. Marie, Mich.—Joint with D. S. S. & A. Ry. Co.	1.71	
Minneapolis, Minn.—Joint with N. P. Ry.	.88	
Bemidji, Minn.—Joint with N. P. Ry.	.19	
Deerwood, Minn., to Cuyuna Range Mines—Joint with N. P. Ry.	21.51	
Total Jointly Owned		24.29
Total Mileage Owned and Operated		3,159.77

MILES OF ROAD OPERATED, DECEMBER 31, 1946

Continued

Total Mileage Owned and Operated.....	3,159.77
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TRACKAGE RIGHTS

Over Wisconsin Central Railway

Superior, Wis., 28th Street..... to Tower Avenue.....	2.44
Duluth, Minn., Berwind Jct..... to 6th Avenue.....	4.71
Winnebago Jct., Wis..... to Menasha, Wis.....	4.17
Ladysmith, Wis.....	.86
Total Over W. C. Ry.....	12.18

Joint With Wisconsin Central Railway

St. Paul, Minn.....	N. P. Ry., Soo Line Jct. to 3rd St.....	2.42
	St. P. U. D. Co., 3rd St to Sibley St.....	.85
	C. St. P. M. & O. Ry. and C. M. St. P. & P.	
	R. R., Sibley St. to Chestnut St.....	.79
	C. M. St. P. & P. R. R., Chestnut St. to	
	Minneapolis, Minn.....	
Minneapolis, Minn.....	M. & St. L. Ry., 20th Ave. South to 4th	
	Ave. North.....	.80
	N. P. Ry., 4th Ave. N. to 14th Ave. N.....	.66
Superior, Wis.....	D. S. Br. Co., Superior, Wis., to Interstate	
	Bridge.....	.54
	L. S. T. & T. Ry., Tower Ave.....	.43
	N. P. Ry., Grassy Point Line, Superior,	
	Wis., to Duluth, Minn.....	
Duluth, Minn.....	N. P. & C. St. P. M. & O., 8th to 15th Ave.	
	West.....	.37
	Total Joint with W. C. Ry.....	19.36

Other

Sault Ste. Marie, Mich.—Union Depot Co.....	.52
Sault Ste. Marie, Mich.—Ste. Marie Bridge Co.....	.52
Deerwood—McGregor, Minn.—N. P. Ry.....	30.95
Superior—Ore Dock Line & Hill Ave. Yard—N. P. Ry.....	.47
Total Other.....	32.46
Total Soo Line Mileage Operated.....	3,223.77
Mileage operated as Agent for Trustees of Wisconsin Central Ry. Co.....	1,051.36
Less mileage common to both Soo Line and W. C. Ry. Co.....	77.08
Total System Mileage Operated.....	4,198.05

